VZCZCXYZ0038
RR RUEHWEB

DE RUEHTV #0622/01 0771456
ZNR UUUUU ZZH
R 171456Z MAR 08
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC 5883
INFO RUEHJM/AMCONSUL JERUSALEM 9342
RUEHAM/AMEMBASSY AMMAN 3809
RUEHEG/AMEMBASSY CAIRO 1820

UNCLAS TEL AVIV 000622

SIPDIS

SIPDIS

STATE PLEASE PASS TO HHS/ FOR D/SEC TROY
DEPT FOR OEC/IHA, NEA/AIA AND EB/OIA
AMMAN FOR ESTH - BHALLA

E.O. 12958: N/A
TAGS: TBIO KIPR KWBG KPAL IS
SUBJECT: SCENESETTER FOR D/HHS VISIT TO ISRAEL

This message has been cleared by Consulate General Jerusalem.

¶1. (U) Post welcomes the visit to Israel of HHS Deputy Secretary Tevi Troy on April 2. Post offers the following update on its social and public health situation. Your visit presents an opportunity to underscore our shared interests in matters of primary health care and global public health, including avian influenza, HIV/AIDS, and Tuberculosis -- especially drug-resistant TB. Shared bilateral issues include development of cancer treatment capacity in the region, enhancing Israeli protection of intellectual property rights pertaining to pharmaceuticals, and helping address the weak public health care sector of the Palestinian Authority (PA) in the context of the Annapolis Peace Process.

Economic Situation

¶2. (U) Israel's economy has been riding a wave of unprecedented growth. After four years of over 5 percent GDP growth, the economy will expand about 3.5 to 4 percent in 2008. Inflation is in the three percent range, and unemployment has fallen to about seven percent. Israel's high technology, tourism and construction sectors are all booming, and the country attracted $12 billion in foreign investment in 2007 on top of nearly $26 billion in 2006.

¶3. (U) Over the last year, however, the New Israeli Shekel (NIS) has strengthened by approximately 16 percent - to the dismay of Israel's major exporters who have traditionally priced goods in US dollars, reflecting their major export market. Exports ranging from textiles to military hardware now earn Israeli producers far less, and some Israeli factories have closed, having become uncompetitive. Because export earnings fueled 40 percent of economic growth in recent years, steady expansion and job creation may also be at risk. The central bank recently lowered the discount rate by 0.5 percent to weaken the shekel and defend export competitiveness.

¶4. (SBU) The strong expansion of the past five years has also resulted in widening wealth disparities in Israeli society, as workers in areas outside of growth sectors have not shared proportionately in the boom. Socially-oriented politicians and the media criticize the concentration of wealth among well-educated, private sector professionals and industrial investors, and claim that the majority of working class Israelis see little growth in the real value of their income and assets. Although the strong shekel has kept inflation in check, the pressure to keep wages low in the face of international competition has limited the real income growth of workers despite strong GDP growth. The Haredi and Arab sectors of Israeli society have not shared in the prosperity, largely due to their lower labor participation rates.

Public Health

¶5. (SBU) Israel has one of the world's best public health care

systems, offering excellent medical care, world class research, and access to nearly all citizens. It was extensively revamped and improved during the 1990s, with all healthcare provided by the private sector, but the GOI funding most costs assisted by private insurers payments. Privately-paid healthcare is available parallel to the public care. The system has shown strains recently, with mounting insurance fees on businesses, tight government budgets moving the system toward greater user co-payments, and the national health plan restricting access to some medications due to high pharmaceutical prices. Government funding of health services has decreased over the past decade, both in real and in per capita terms, as the MOH budget dropped from 658 million shekels (NIS) in 2001 to 561 million NIS in 2006. A majority of Israelis oppose creeping privatization of the healthcare system, as household expenditure on healthcare for all income groups has tripled in the past decade. Hospitals look to growing income from private clients to cover funding gaps; the growth of "medical tourism" in Israel has the potential to supplement public funds, and in 2006 provided USD 40 million in revenue to Israeli institutions, which hosted nearly 15,000 foreign patients. Israel is becoming known for heart surgery, cosmetic surgery, and fertility treatment, among other specialties.

¶6. (SBU) The healthcare of minority groups in Israel (Israeli Arabs, Druze, Bedouin) reflects both inequality of access and particular social circumstances. The Israeli- Arab population has a markedly different health profile from that of Jewish-Israelis. It is a younger population, with 41 percent under 14 years old (compared to 25 percent for the Jewish population), and only 3.1 percent are over 65 (compared to 12 percent for Jewish citizens). Arab-Israelis suffer from a higher rate of diabetes (3.4 percent), a higher rate of cancers, and a higher rate of congenital disabilities. This derives partly from a higher rate of smoking (26%) and also a high rate of co-sanguinous (inter-relative) marriage (39%).

¶7. (SBU) Addressing the health issues of Arab-Israelis and of the underserved Palestinian population of the West Bank and Gaza is a problem facing the Israeli healthcare system. PA financial, institutional and educational resources are insufficient to address the demand, leading to some burden being shifted to Israeli institutions. The ability of Israel to offer the training and advanced medical care needed by Palestinians is limited by financial, personnel and mobility (border) factors. Relations between Israeli and Palestinian medical practitioners remain excellent and professional; both sides regret the politicization that sometimes impedes contact.

USAID Health Efforts

¶8. (U) There are many challenges which impact the delivery of health care services in the West Bank and Gaza:

-- Limited movement and access of people and goods within the West Bank (checkpoints) and between the Palestinian territories and other countries (border crossings);

-- On-going violence and insecurity;

-- A fragile economy, limited capacity of families to pay for health care services, and high degree of donor dependence to support health care services, especially in the public sector;

-- Deteriorating health care infrastructure and shortages of essential health commodities such as pharmaceuticals, medical supplies, medical equipment, and spare parts (most notably in the public sector).

¶9. (SBU) As part of the Palestinian Reform and Development Plan, the Palestinian National Authority is working to strengthen the health sector through (1) improved quality of care (infrastructure, equipment, training, and other capacity-building), and (2) improved health care affordability (better allocation of health financing resources, greater accountability and transparency, and more cost-effective procurement of goods and services). These priorities are also reflected in the Palestinian Ministry of Health's National Strategic Health Plan for 2008 - 2010.

¶10. (SBU) The U.S. Government has contributed significant resources to help meet the challenges facing the health sector, support the Palestinian Authority's reform and development agenda, and strengthen the Palestinian health care system. The U.S. Agency for International Development (USAID) currently supports maternal and child health and nutrition projects valued at over $23 million. In addition, USAID expects to provide over $15 million of emergency medical assistance in FY08, including pharmaceuticals, medical supplies, equipment, and spare parts for the Ministry of Health and for eligible non-governmental organizations (NGOs). USAID will continue support for health sector reform and development activities to help improve access to quality health care services for the Palestinian people.

Other USG Assistance

¶11. (U) The State Department Bureau for Population, Refugees and Migration has committed $57 million in 2008 to support Palestinian refugees in West Bank and Gaza through the UN Relief and Works Agency for Palestine Refugees (UNRWA). In 2008, the USG will also contribute $91 million to UNRWA for the provision of education, health and relief services to 4.5 million Palestinian refugees in Gaza, Jordan, Lebanon, Syria and the West Bank. With 54 primary health clinics and one hospital, UNRWA is the second largest and most cost-effective provider of primary health services in the West Bank/Gaza. Due primarily to the PA's inability to replenish vital medical supplies at its clinics, periodic public sector strikes, and the inability of refugees to pay normal prescription fees at PA and NGO health centers, the demand for UNRWA health services in West Bank/Gaza increased 20 percent in 2007 and a similar increase is expected 2008. Besides primary health care, the USG assistance to UNWRA helps provide access to adequate water and sanitation services for refugee communities, and provides counseling and mental health support to vulnerable refugees, particularly children and youth.

Israeli IPR Situation

¶12. (SBU) Israeli protection for Intellectual Property Rights (IPR) for pharmaceutical patents remains weak. While Israel has indicated its interest in addressing the issue, and in particular, removing itself from the 301 Priority Watch List issued by USTR annually, there has not been a real effort in the past three years to change important legislation. IPR in Israel is a shared domain of several ministries and departments, including the Ministry of Industry, Trade and Labor, Ministry of Health, Ministry of Justice and the Ministry of Finance. A coordinated effort to affect change in Israel's IPR regime must address all the key players of the respective ministries.

¶13. (SBU) Of particular importance is the inadequate protection against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals. Administrative delays at the Ministry of Health further erode the ability of U.S. pharmaceutical companies to obtain a fair term of protection, even if they submit registration requests in Israel immediately upon approval in the United States. Israel's use of a pre-grant opposition system for patients impairs the ability of rights holders to protect innovation. In 2005, Israeli legislation reduced the term of extension of pharmaceutical patent protection provided to compensate for delays in obtaining regulatory approval of a drug. This legislation has discouraged U.S. companies from producing and marketing innovative pharmaceuticals in Israel.

¶14. (SBU) New copyright legislation recently enacted is an improvement for Israel, particularly in formalizing protection of U.S. sound recordings under the 1954 bilateral treaty. Our approach to the issue is to remind Israel that better IPR protection will protect its nascent biotechnology and high technology industries and encourage innovation. Israel should pursue IPR in a manner that reflects its status as a partner in the U.S.-Israel FTA and its objective of becoming a full member of the OECD.

JONES